

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 PM-07 NSC-07 SP-03 SS-20 RSC-01 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 USIA-15 PRS-01 AID-20

COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 INT-08 FEA-02 SAM-01 DRC-01

/162 W

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R 221113Z MAY 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7210

INFO AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY CAIRO

C O N F I D E N T I A L JIDDA 2854

E.O. 11652: N/A

TAGS: ECON, EG, SA

SUBJ: VISIT OF FIRST DEPUTY PREMIER HEGAZI AND MINISTER OTHMAN

REF CAIRO 3147

BEGIN SUMMARY: EGYPTIAN FIRST DEPUTY PRIME MINISTER AND MINISTER OF RECONSTRUCTION HAS HELD SUCCESSFUL DISCUSSIONS WITH SAG ON FUNDING OF SOME OF EGYPTIAN PROJECTS IN SUEZ AND ESTABLISHING BETTER CLIMATE FOR PRIVATE SAUDI INVESTMENT IN EGYPT. ORGANIZATIONS TO BE ESTABLISHED ON BOTH SIDES TO FACILITATE SUCH FUNDING AND EGYPTIANS WILL ARRANGE SPECIAL GUARANTEES FOR SAUDI INVESTORS AND PROBABLY NEGOTIATE A NEW COMMERCIAL TREATY. END SUMMARY.

1. EGYPTIAN EMBASSY COUNSELOR HAS INFORMED US VISIT OF EGYPTIAN FIRST DEPUTY PRIME MINISTER ABD AL AZIZ HEGAZI AND MINISTER OF RECONSTRUCTION OTHMAN
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MAY 14 AND 15 QUITE SUCCESSFUL. THIS WAS THE CULMINATION OF

SEVERAL EARLIER VISITS AND THE TWO EGYPTIAN OFFICIALS WERE TOLD THAT SAUDI ARABIA WOULD SOON ESTABLISH AN ARAB INVESTMENT ORGANIZATION AIMED PRIMARILY AT EGYPTIAN FREE ZONE PROJECTS. OTHMAN SAID HE HAD IN HAND SOME 150-200 PROPOSALS FOR INVESTMENT IN EGYPT INCLUDING SOME LARGE ONES FOR THE FREE ZONE.

2. CONCEPT BEHIND NEW EGYPTIAN INITIATIVE WITH KUWAIT, SAUDI ARABIA AND PROBABLY OTHER ARAB AND GULF OIL PRODUCERS IS TO HAVE GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS ON EACH PROJECT. PLAN IS TO SET UP SOUNTER PART ORGANIZATION IN CAIRO TO SAUDI INVESTMENT ORGANIZATION, AND PROJECTS WILL BE FUNDED BY COMBINED EFFORTS OF SAUDI AND OTHER OIL-RICH COUNTRIES A LA SUMEDPIPELINE. (COMMENT: DIFFICULT NEGOTIATIONS ON SUMED PROJECT WILL HOPEFULLY NOT BE THE KIND OF NEGOTIATIONS MULTI-NATIONALS AND SAUDI ARABIA WILL HAVE WITH EGYPT ON NEW PROJECTS FOR FREE ZONE IN CANAL AREA.)

3. EGYPTIAN OFFICIALS ALSO PROMISED SAUDIS THAT A SPECIAL INVESTMENT GUARANTEE PROGRAM WOULD BE SET UP TO ATTRACT SAUDI PRIVATE CAPITAL TO THE NILE. COUNSELOR ALSO NOTED THAT EGYPTIANS MAY SOON PROPOSE A NEW COMMERCIAL TREATY WITH SAUDI ARABIA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, LESS DEVELOPED COUNTRIES, FOREIGN INVESTMENT, MINISTERIAL VISITS, LOANS, DIPLOMATIC DISCUSSIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JIDDA02854
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740127-0870
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740527/aaaaaxyi.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: CAIRO 3147
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by rowelle0>; APPROVED <28 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF FIRST DEPUTY PREMIER HEGAZI AND MINISTER OTHMAN
TAGS: ECON, EG, SA, (HEGAZI, AL-AZIZ)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005